

Message Text

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L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00
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FM AMCONSUL QUEBEC

TO SECSTATE WASHDC PRIORITY 1080

INFO AMEMBASSY OTTAWA PRIORITY

AMCONSUL MONTREAL

AMCONSUL TORONTO

C O N F I D E N T I A L SECTION 1 OF 2 QUEBEC 0307

E.O. 11652: GDS

TAGS: PINT, CA

SUBJ: CAUGHT BETWEEN A ROCK AND A HARD PLACE

REF: QUEBEC 0236

1. SUMMARY: GOQ PLANNING GROUP CHARGED WITH STUDYING VARIOUS FORMS OF ASSOCIATION IS CONSIDERING FOUR BROAD CATEGORIES:
A) MONETARY UNION WITH CANADA; B) FREE TRADE UNION WITH CANADA;
C) COMMON MARKET WITH CANADA; AND D) EXTRA-CANADIAN RELATIONSHIPS SUCH AS ASSOCIATE STATUS WITH EEC OR SOME FORM OF CLOSER ECONOMIC RELATIONSHIP WITH U.S. BERNARD BONIN WHO HEADS GROUP CONCLUDES THAT FEDERAL GOVERNMENT POLICIES FAVORING CONCENTRATION OF ECONOMIC ACTIVITY AND MOVEMENT OF ECONOMIC CENTER OF GRAVITY TOWARD WEST ARE CREATING CONDITIONS IN QUEBEC WHICH ENCOURAGE SEPARATISM. HE CONTENDS THAT FEDERAL GOVERNMENT CENTRALISTS HAVE MISGAUGED MOBILITY OF QUEBEC LABOR FORCE. QUEBECOIS HAVE PEASANTS TRADITIONAL ATTACHMENT TO HOME AND LAND AND ARE PARTICULARLY RELUCTANT MOVE TO NON-FRANCOPHONE REGIONS. THEIR "NATURAL" RELUCTANCE IS REINFORCED BY AVAILABILITY OF RELATIVELY
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GENEROUS UNEMPLOYMENT INSURANCE WHICH REDUCES THREAT FROM UNEMPLOYMENT BELOW HARSH LEVEL OF SURVIVAL. SHOULD TREND OF STATIC WORK FORCE AND SHIFTING ECONOMY CONTINUE, QUEBEC COULD BECOME INCREASINGLY DEPENDENT ON FEDERAL SOCIAL WELFARE TRANSFERS. ONLY ALTERNATIVE, BONIN ASSERTS, IS REGIONALIZATION WITHIN CONFEDERAL SYSTEM OR POLITICAL SEPARATION. BONIN ALSO CONTENDS THAT CURRENT THREATS TO REDUCE INVESTMENT BY BUSINESS

COMMUNITY MAY FORCE GOVERNMENT TO INTERVENE IN AREAS TRADITIONALLY RESERVED TO PRIVATE ENTERPRISE. ULTIMATELY, THIS COULD RESULT IN FAR GREATER GOVERNMENT OWNERSHIP AND CONTROL IN ECONOMY THAN IS NOW ADVOCATED BY GROUP OF GOQ MINISTERS WHO HOLD ECONOMIC PORTFOLIOS AND TACTIC COULD BOOMERANG AGAINST LONG TERM INTERESTS OF PRIVATE BUSINESS COMMUNITY. END SUMMARY

2. WORK ON COMPARATIVE STUDIES OF VARIOUS FORMS OF "ASSOCIATION" IS CONTINUING APACE ACCORDING TO HEAD OF SMALL GOQ SPECIAL PLANNING GROUP, BERNARD BONIN. ULTIMATELY, THE "POLITICAL" CHOICE OF WHICH FORM OF ASSOCIATION THE GOQ IS TO PROPOSE TO QUEBEC VOTERS WILL BE BASED TO CONSIDERABLE DEGREE ON ARGUMENTS DEVELOPED IN THESE STUDIES. BONIN, WHO HAS TITLE OF ASSISTANT DEPUTY MINISTER OF INTERGOVERNMENTAL AFFAIRS, TOLD ME RECENTLY THAT HE IS NOW CONSIDERING FOUR BROAD CATEGORIES OF ASSOCIATIONS. THESE ARE: A) MONETARY UNION WITH CANADA; B) FREE TRADE ZONE WITH CANADA; C) COMMON MARKET WITH CANADA; AND D) EXTRA-CANADIAN RELATIONSHIPS SUCH AS ASSOCIATE STATUS WITH EEC OR SOME FORM OF CLOSER ECONOMIC RELATIONSHIP WITH U.S.

3. BONIN GROUP WORKS DIRECTLY FOR P.Q. CONSTITUTIONAL STRATEGIST AND MINISTER FOR INTERGOVERNMENTAL AFFAIRS, CLAUDE MORIN. BONIN, WHO PRIVATELY FAVORS ATTENUATED CONFEDERAL SOLUTION, TOLD ME THAT MORIN, WHO IS OFTEN DESCRIBED AS "INSCRUTABLE," PRIVATELY TOLD HIM THAT BASIC STUDIES ON ADVANTAGES AND DISCONFIDENTIAL

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ADVANTAGES OF VARIOUS FORMS OF POSSIBLE RELATIONSHIPS WOULD BE USEFUL TO QUEBEC EVEN IF REFERENDUM VOTE GOES AGAINST SOVEREIGNIST SOLUTION. INFORMATION DEVELOPED IN COURSE OF STUDIES, MORIN SAID, COULD BE EQUALLY USEFUL IN NEGOTIATING NEW PROVINCIAL STATUS WITH CONFEDERATION.

4. AS HIS STUDIES PROBE DEEPER INTO THE EFFECTS OF THE PRESENT CONFEDERAL RELATIONSHIP IN CANADA, BONIN HAS CONCLUDED THAT FEDERAL GOVERNMENT POLICIES FAVORING CONCENTRATION OF ECONOMIC ACTIVITY WEST OF OTTAWA RIVER ARE CREATING CONDITIONS WHICH ENCOURAGE SEPARATION IN QUEBEC. BONIN CONTENTS THAT TRUDEAU, AND OTHER CENTRALISTS IN OTTAWA, WORK FROM PREMISE THAT CANADIAN LABOR FORCE SHOULD BE HIGHLY MOBILE IN NORMAL NORTH AMERICAN PATTERN AND WILL MOVE TO AREAS OF MAXIMUM ECONOMIC ADVANTAGE WITH ONLY TEMPORARY SOCIAL AND ECONOMIC DISLOCATION. FEDERAL BICULTURAL PROGRAMS, HE ASSERTS, WERE CONCEIVED MAINLY TO EASE THE TRANSITIONAL PROBLEMS CREATED BY THESE MOVES FOR MIGRANT FRANCOPHONES.

5. BONIN DOUBTS VALIDITY OF MOBILITY THESIS. HE CONTENTS THAT MOVEMENT IS INHIBITED BY EXISTENCE OF TWO CULTURES. FURTHER, HE BELIEVES THAT GENEROUS UNEMPLOYMENT INSURANCE PAYMENTS,

AS THEY ELIMINATED RAW SURVIVAL THREAT WHICH FORCED EARLIER QUEBEC MASS MIGRATION TO FACTORY TOWNS OF NEW ENGLAND, HAVE REINFORCED NATURAL INERTIA OF QUEBEC LABOR FORCE. AVERAGE QUEBECOIS, WITH HIS PROFOUND ATTACHMENT TO FAMILY AND HOMESTEAD AND HIS STILL STRONG FEAR OF COMPETITION FROM MORE INDIVIDUALISTIC ANGLOS, PREFERS REMAIN IN FAMILIAR MILIEU WHERE HE FEELS MORE SECURE. THEREFORE QUEBEC NOW HAS TWO ALTERNATIVES. ONE IS TO BECOME INCREASINGLY DEPENDENT ON FEDERAL SOCIAL WELFARE TRANSFERS. THE OTHER IS TO DEMAND CHANGE IN PRESENT CONFEDERAL ARRANGEMENT WHICH FAVORS REGIONAL DISPERSION OF CENTERS OF ECONOMIC ACTIVITY. SINCE NO SELF-RESPECTING PEOPLE WOULD VOLUNTARILY ACCEPT PERMANENT STATUS AS MENDICANTS, ONLY LATTER OPTION IS VIABLE FOR PROUD, NATIONALIST GOVERNMENT SUCH AS PRESENT ONE. THUS, SEPARATION OR DECENTRAL-
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IZATION OF POWERS WITHIN LOOSER CONFEDERAL ARRANGEMENT ARE ONLY VIABLE ALTERNATIVES FOR QUEBEC IN BONIN'S VIEW.

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6. STRONGEST FORCE PITTED AGAINST SEPARATISM, BONIN BELIEVES, IS RELUCTANCE OF AVERAGE QUEBECOIS TO SUFFER DECLINE IN HIS STANDARD OF LIVING. HE POINTS OUT THAT ABOUT 28 PERCENT OF PROVINCE'S LABOR FORCE IS NOW EMPLOYED IN VULNERABLE "TRADITIONAL"

SECONDARY INDUSTRIES SUCH AS TEXTILES, SHOES, ETC. ANOTHER LARGER GROUP IS EMPLOYED IN TERTIARY SERVICE INDUSTRIES DEPENDENT TO LARGE DEGREE ON PROSPERITY OF ABOVE MENTIONED SECONDARY INDUSTRIES. WITHOUT PROTECTED CONTINENTAL CANADIAN MARKET FOR HIGH COST "TRADITIONAL" QUEBEC MANUFACTURES, MORE FACTORIES IN VULNERABLE INDUSTRIES WILL CLOSE IN QUEBEC SWELLING ALREADY BURGEONING UNEMPLOYMENT ROLLS AND ENCOURAGING FURTHER DECLINE IN AN ENFEEBLED ECONOMY. FACING SUCH A THREAT, AVERAGE QUEBECOIS WILL BE RELUCTANT LAUNCH INTO ECONOMIC UNCERTAINTY.

7. NONETHELESS, FEDERALIST ADVOCATES IN BUSINESS COMMUNITY SHOULD BE CAUTIOUS IN USE OF THREATS CONCERNING RELUCTANCE TO INVEST OR CAPITAL FLIGHT. NO ELECTED GOVERNMENT CAN REMAIN INACTIVE FOR LONG IN FACE OF DOUBLE DIGIT UNEMPLOYMENT AND DEEPENING ECONOMIC DECLINE CAUSED PARTIALLY BY LACK OF INVESTMENT BY PRIVATE SECTOR. THUS, GOQ, WHETHER IT WISHES TO OR NOT, CONFIDENTIAL

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MAY BE FORCED TO BECOME INCREASINGLY INVOLVED IN INVESTMENT IN AREAS ERSTWHILE RESERVED TO PRIVATE INVESTMENT. THE RESULT COULD BE, BY DEFAULT, A MARKED GROWTH OF GOVERNMENT CONTROL OF ECONOMY. QUITE OBVIOUSLY, SUCH DEVELOPMENT WOULD HARM LONG TERM INTERESTS OF PRIVATE BUSINESS COMMUNITY.

8. COMMENT: BONIN APPEARS BE A THOUGHTFUL, INTELLECTUALLY HONEST ECONOMIST WHO WILL GIVE HIS POLITICAL MASTERS FRANK ADVICE RE PROS AND CONS OF VARIOUS ASSOCIATION OPTIONS EVEN THOUGH HIS ADVICE MAY BE UNPALATABLE. THE SIGNIFICANCE, IF ANY, OF CLAUDE MORIN'S CHOOSING MEN SUCH AS BONIN AND MORIN'S DEPUTY MINISTER, ROBERT NORMAND, AS TWO OF HIS PRINCIPAL ADVISORS ON QUESTION AS CRUCIAL TO P.Q. AS FUTURE FORMS OF ASSOCIATION IS UNCLEAR. BOTH OBVIOUSLY ARE EXTRAORDINARILY ABLE YET NEITHER SEEMS TO FAVOR UNQUALIFIED SEPARATISM. WHILE THERE MAY BE APPARENT DICHOTOMY IN BONIN'S DESCRIPTION OF MOBILITY PROBLEM, SUCH INCONSISTENCIES ARE OFTEN FOUND WHEN A PEOPLE ARE FACED WITH THE KIND OF FUNDAMENTAL SOCIAL CHANGE WHICH HAS OCCURRED IN QUEBEC OVER THE PAST 15-20 YEARS. IT IS A FACT THAT MANY QUEBECOIS ACCEPT LIVING IN A STATE OF ALMOST PERMANENT UNDER-EMPLOYMENT DEPENDENT ON UNEMPLOYMENT INSURANCE TO SUSTAIN THEM THROUGH LONG MONTHS OF ECONOMIC INACTIVITY RATHER THAN MOVING TO MORE PROSPEROUS, PREDOMINATELY ANGLOPHONE REGIONS WHERE JOBS ARE MORE READILY AVAILABLE. (SEE QUEBEC 147). AT SAME TIME, MANY OF THESE SAME FOLK CONTINUE TO PAY AT LEAST LIP SERVICE TO TRADITIONAL ETHOS WHICH VALUES HARD WORK, SELF-SUFFICIENCY, AND INDIVIDUAL INDEPENDENCE. AS TO THE FEAR OF QUEBEC MOVING TOWARD SOCIALISM SO LAMENTED BY BONIN, THERE ARE SOME MEMBERS OF CABINET, AND MANY MORE IN PQ PARTY, WHO FAVOR SUCH MOVEMENT AND EVEN ENCOURAGE IT. AT PRESENT, GROUP OF MINISTERS WHO DEAL WITH ECONOMIC QUESTIONS ARE NOT MEMBERS OF THIS WING OF PARTY.

HOWEVER, AS BONIN POINTS OUT, SOCIAL REFORMERS COULD FORCE
INCREASED GOVERNMENT INTERVENTION IN ECONOMY IF PRIVATE
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SECTOR SHOWS RELUCTANCE TO INVEST. IN THIS SENSE, ANGRY
THREATS AND DIRE PREDICTIONS BEING MADE BY BUSINESS COMMUNITY
COULD ULTIMATELY BOOMERANG AGAINST INTERESTS OF FREE ENTER-
PRISE ECONOMY.
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